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STATE FOR NEA/ARP AND EB; STATE PASS TO USTR JBUNTIN AND PBURKHEAD

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TAGS: PREL ETRD ECON BEXP KU
SUBJECT: MINISTRY OF COMMERCE UPBEAT ON TIFA, WELCOMES USTR VISIT

¶1. (SBU) Summary. On October 17, EconCouns met with Ministry of Commerce and Industry (MOCI) Assistant Under Secretary Hamid Al-Ghanim to review the TIFA Council meeting

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that took place on September 5, and to discuss next steps in the TIFA process. Al-Ghanim said the TIFA was important for the GOK and stated his desire to host the next TIFA Council meeting in Kuwait, possibly as early as March 2007.

Al-Ghanim acknowledged receipt of AUSTR Donnelly's letter of September 25 following up on TIFA issues and said the Ministry was nearly finished preparing its response.

Al-Ghanim welcomed a visit to Kuwait by AUSTR Donnelly later this year, and encouraged EconCouns to meet with Ministry of Finance officials to make progress on the issue of taxation of U.S. companies. Al-Ghanim said the Ministry was still working out the details of assuming responsibility for copyright protection. End Summary.

¶2. (SBU) On October 17, Econoffs met with Hamid Al-Ghanim, the Assistant Under Secretary of Commerce and Industry (MOCI). Al-Ghanim, who attended the TIFA Council meeting in Washington, DC on September 5, described the TIFA meeting as "fruitful" and said the GOK is eager to move forward towards an eventual FTA. Econcouns said the U.S. shared that interest, but there were hurdles that needed to be addressed. He asked that Kuwait be recognized for its efforts to enact new legislation covering TIFA reforms despite a lack of legislative success, and blamed the National Assembly for the failure to change Kuwait's laws, saying MPs were "delaying things so that they can work on their own interests." Al-Ghanim noted that U.S. firms are working well in the Kuwaiti economy but stressed the importance of Kuwait being more "officially open." He hoped the next TIFA Council meeting would take place in Kuwait and suggested March 2007 as a possibility.

¶3. (SBU) Al-Ghanim said he had reviewed USTR's September 25 letter to the Minister. The Ministry was nearly finished preparing its response, which would likely be sent after the Eid holiday (October 23). EconCouns urged that the GOK response be strong and substantive, and directly address the points and questions raised in the letter. Al-Ghanim said he was coordinating a response with the Ministry of Interior and Ministry of Finance. Al-Ghanim said he had spoken to Ministry of Finance officials about the taxation issue, and encouraged EconCouns to meet with them as well. Al-Ghanim welcomed a possible AUSTR visit in December but noted that Minister of Commerce Falah Al-Hajri would be out of the country until December 10. A visit in mid-December would be ideal, he said.

¶4. (SBU) EconOff asked about the status of MOC's assumption of primary responsibility for intellectual property rights (IPR) enforcement. Al-Ghanim responded that the bureaucratic details of moving personnel from the Ministry of Information to the MOCI have not been completed. (Note: A Council of Ministers decision in June transferred primary IPR protection responsibility from the Information Ministry to MOCI.)

Al-Ghanim stated that IPR was a "very important issue" for him. He related that during a recent meeting with the Minister of Social Affairs and Labor, which regulates the stores of Kuwait's many cooperative societies, he asked the Minister to ban vendors from selling pirated discs in front of the cooperatives.

¶5. (SBU) EconCouns noted USG appreciation for the GOK's willingness to address seriously its long-standing billing dispute with AT&T, and looked forward to resolution of the remaining issues. Al-Ghanim said he did not have details of the September meetings, but understood that there had been progress and the dispute was almost fully resolved. (Note: AT&T and the Ministry of Communications held talks in September and agreed on a framework to resolve their long-standing billing dispute. From our conversations with the two parties, both sides were pleased with the result and the positive working atmosphere during the visit. The Minister of Communication spent five hours with the delegation over the course of two days and was clearly charged with achieving a positive outcome. Under the agreement, MOCI will commit to a contract for new business with AT&T but hopes to convince the company to reduce its rates. Depending on how this evolves, MOCI will gradually open up more lines to AT&T. In the meantime, MOCI has been working out the required accounting to zero out all or most of AT&T's outstanding balance. AT&T would still be required to pay a nominal sum, but MOCI officials have told us privately they hope to ultimately reduce this to a zero balance. Accounts are supposedly settled up to August 2006,

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and some of the phone lines have been opened. End Note).

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